



# Business Model Canvas

*(more than a box to check)*

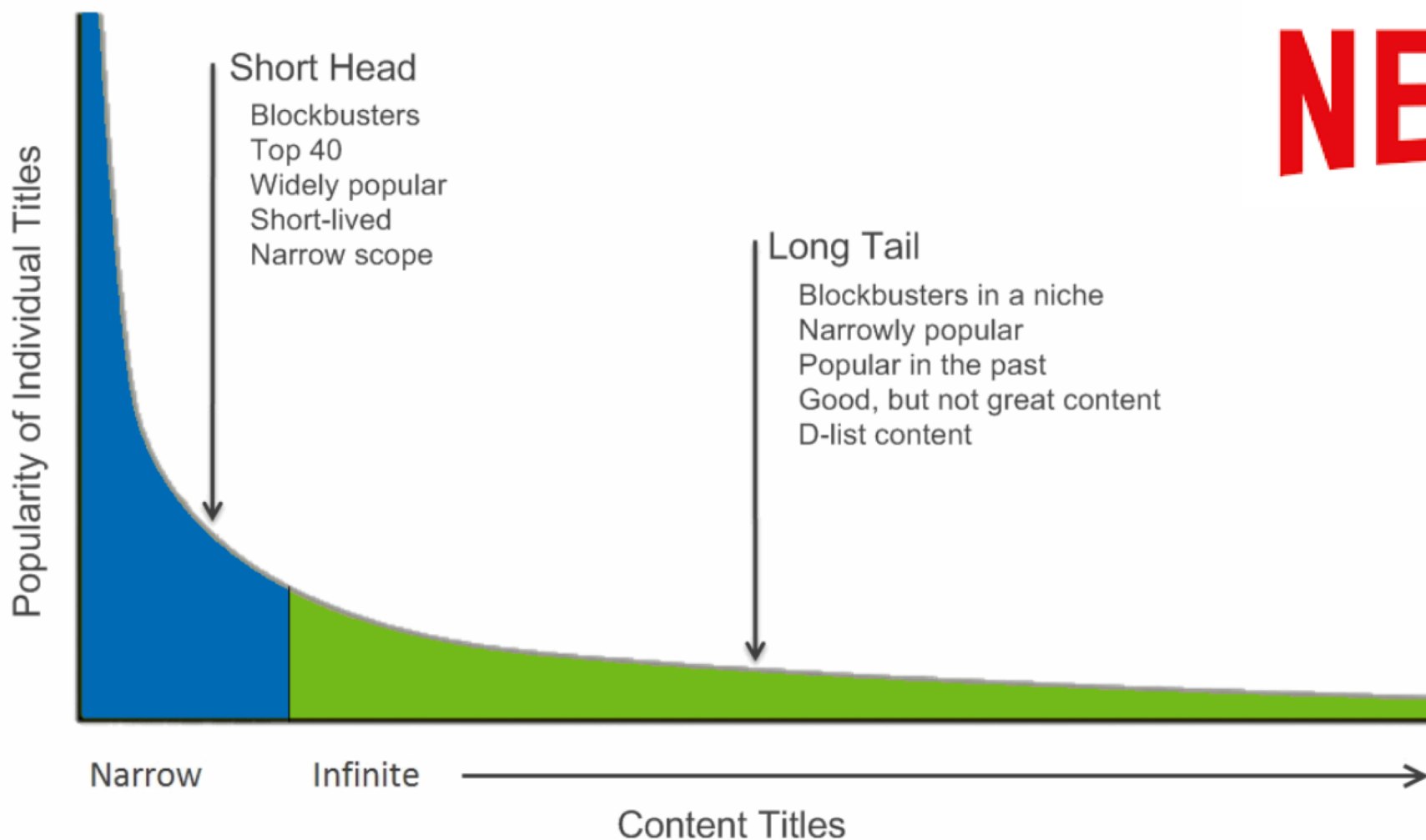


It's all about the product, why waste time on modeling out the business?





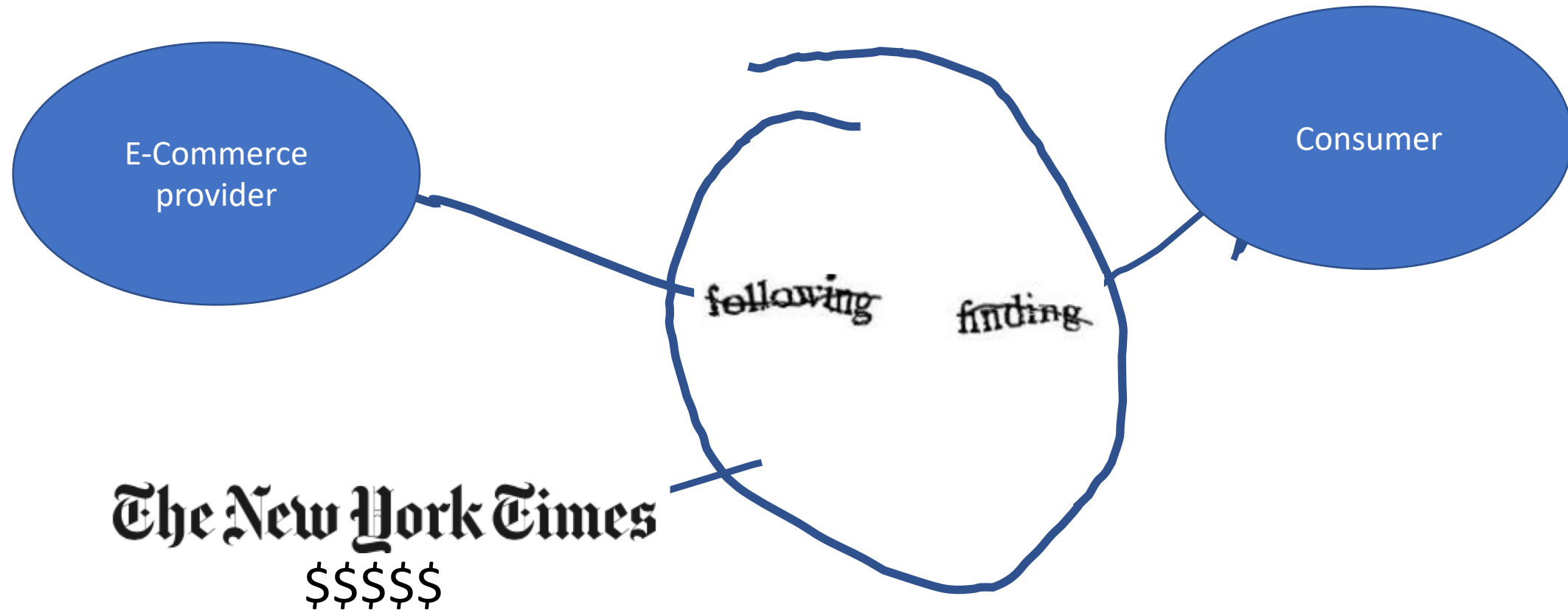
## The Long Tail



# NETFLIX



# Multi-Sided Platform Example:





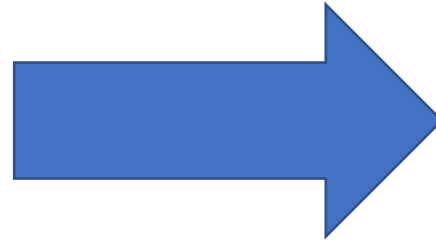
## Network Effects





# Free as a business model: Examples





- Co-opted Customer to Provide Key Activities to Improve the Value Proposition



**Don Jones**

“...don’t make business more complicated than it needs to be...”

COSTS / COMPANY FOCUS




# The Business Model Canvas

Designed for:

Designed by:

Date:

Version:

<b>Key Partners</b>  <p>Who are our Key Partners? Who are our key suppliers? Which Key Resources are we acquiring from partners? Which Key Activities do partners perform?</p> <p><b>MOTIVATIONS FOR PARTNERSHIPS</b> Optimization and economy Reduction of risk and uncertainty Acquisition of particular resources and activities</p>	<b>Key Activities</b>  <p>What Key Activities do our Value Propositions require? Our Distribution Channels? Customer Relationships? Revenue Streams?</p> <p><b>CATEGORIES</b> Production Problem Solving Platform/Network</p>	<b>Value Propositions</b>  <p>What value do we deliver to the customer? Which one of our customer's problems are we helping to solve? What bundles of products and services are we offering to each Customer Segment? Which customer needs are we satisfying?</p> <p><b>CHARACTERISTICS</b> Newness Performance Customization "Getting the Job Done" Design Brand/Status Price Cost Reduction Risk Reduction Accessibility Convenience/Usability</p>	<b>Customer Relationships</b>  <p>What type of relationship does each of our Customer Segments expect us to establish and maintain with them? Which ones have we established? How are they integrated with the rest of our business model? How costly are they?</p> <p><b>EXAMPLES</b> Personal assistance Dedicated Personal Assistance Self-Service Automated Services Communities Co-creation</p>	<b>Customer Segments</b>  <p>For whom are we creating value? Who are our most important customers?</p> <p><b>Mass Market</b> <b>Niche Market</b> Segmented Diversified Multi-sided Platform</p>			
<b>Key Resources</b>  <p>What Key Resources do our Value Propositions require? Our Distribution Channels? Customer Relationships? Revenue Streams?</p> <p><b>TYPES OF RESOURCES</b> Physical Intellectual (brand, patents, copyrights, data) Human Financial</p>		<b>Channels</b>  <p>Through which Channels do our Customer Segments want to be reached? How are we reaching them now? How are our Channels integrated? Which ones work best? Which ones are most cost-efficient? How are we integrating them with customer routines?</p> <p><b>CHANNEL PHASES</b> 1. Awareness How do we raise awareness about our company's products and services? 2. Evaluation How do we help customers evaluate our organization's value Proposition? 3. Purchase How do we allow customers to purchase specific products and services? 4. Delivery How do we deliver a Value Proposition to customers? 5. After sales How do we provide post-purchase customer support?</p>	<b>Revenue Streams</b>  <p>For what value are our customers really willing to pay? For what do they currently pay? How are they currently paying? How would they prefer to pay? How much does each Revenue Stream contribute to overall revenues?</p> <table><tr><td><b>TYPES</b> Asset sale Usage fee Subscription Fee Lending/Renting/Leasing Licensing Brokerage fees Advertising</td><td><b>FIXED PRICES</b> List Price Product feature dependent Customer segment dependent Volume dependent</td><td><b>DYNAMIC PRICES</b> Negotiation (bargaining) Real-time Management Real-time Market</td></tr></table>		<b>TYPES</b> Asset sale Usage fee Subscription Fee Lending/Renting/Leasing Licensing Brokerage fees Advertising	<b>FIXED PRICES</b> List Price Product feature dependent Customer segment dependent Volume dependent	<b>DYNAMIC PRICES</b> Negotiation (bargaining) Real-time Management Real-time Market
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VALUE / CUSTOMER FOCUS



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The makers of Business Model Generation and Strategyzer

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# Value Propositions

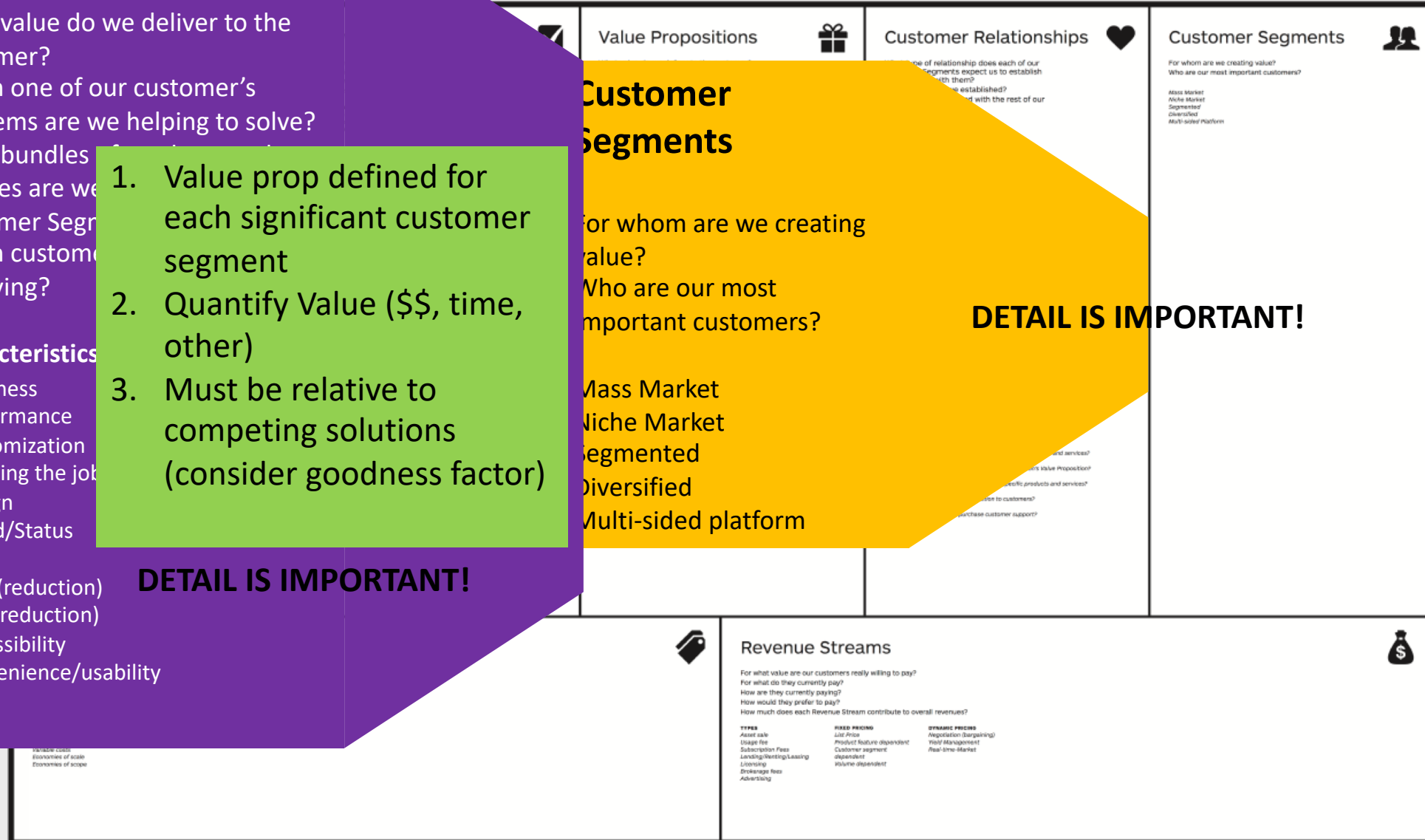
What value do we deliver to the customer?  
Which one of our customer's problems are we helping to solve?  
What bundles of products and services are we offering?  
Customer Segments  
Which customer segments are we satisfying?

## Characteristics

Newness  
Performance  
Customization  
"Getting the job done"  
Design  
Brand/Status  
Price  
Cost (reduction)  
Risk (reduction)  
Accessibility  
Convenience/usability

1. Value prop defined for each significant customer segment
2. Quantify Value (\$\$, time, other)
3. Must be relative to competing solutions (consider goodness factor)

**DETAIL IS IMPORTANT!**





# The Business Model Canvas Revenue Streams

<h3>Key Partners</h3> <p>Who are our Key Partners? Who are our key suppliers? Which Key Resources are we acquiring from partners? Which Key Activities do partners perform?</p> <p><b>MOTIVATIONS FOR PARTNERSHIPS</b> Optimization and economy Reduction of risk and uncertainty Acquisition of particular resources and activities</p>	<h3>Key Activities</h3> <p>What Key Activities do our Value Propositions require? Our Distribution Channels? Customer Relationships? Revenue Streams?</p> <p><b>CATEGORIES</b> Production Problem Solving Platform/Network</p>	<h2>Revenue Streams</h2>			
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# Let's talk about revenue



# What is Revenue? – Really...

Revenue is how your customer rewards you for the value that you create.

- Reflective of the value provided
- (Ideally) Quantifiable





H





What  
should I  
expect to  
get paid?

*Value realized by customer: \$100*

*Goodness Factor: 10x*

*Estimated revenue: \$100/10* **\$10**

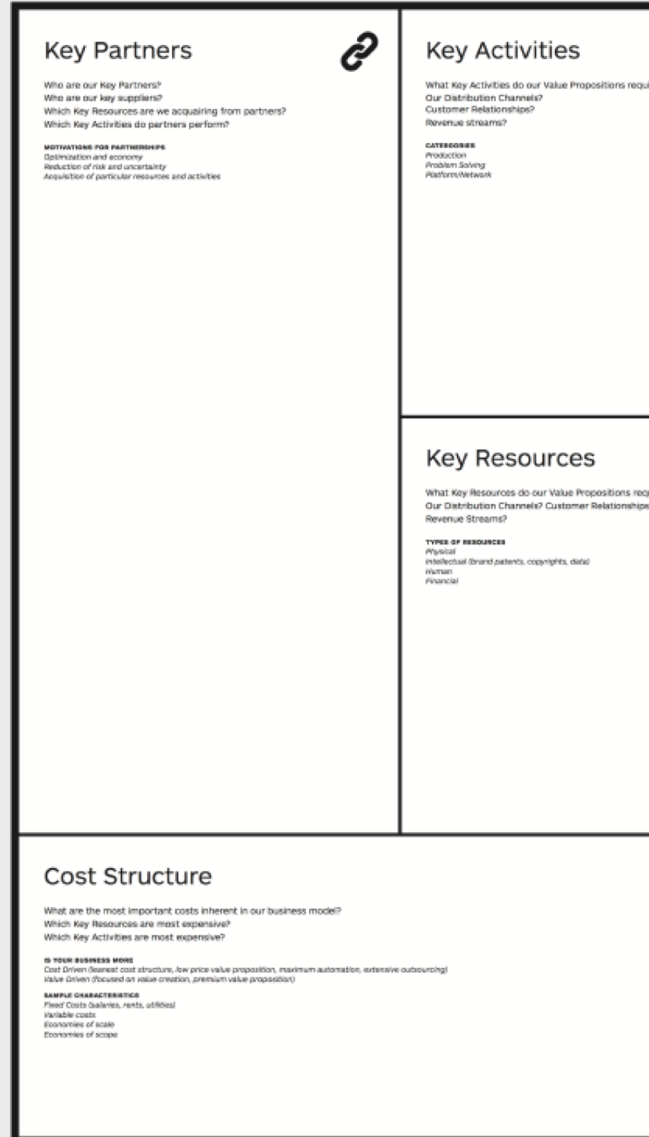
*Opportunity*

*(\$\$/customer X # customers):*

*\$10 x 10,000,000 customers =  
\$100 M*

Is the  
opportunity  
big enough  
for me to  
invest the  
time?

# The Business Model Canvas Revenue Streams



For what value are your customers willing to pay?  
For what do they currently pay?  
How are they currently paying?  
How would they prefer to pay?  
How much does each Revenue Stream contribute to overall revenues?

## Types

Asset sale  
Usage fee  
Subscription fees  
Lending/Renting/Leasing Vol  
Licensing  
Brokerage fees  
Advertising

## Fixed Pricing

List price

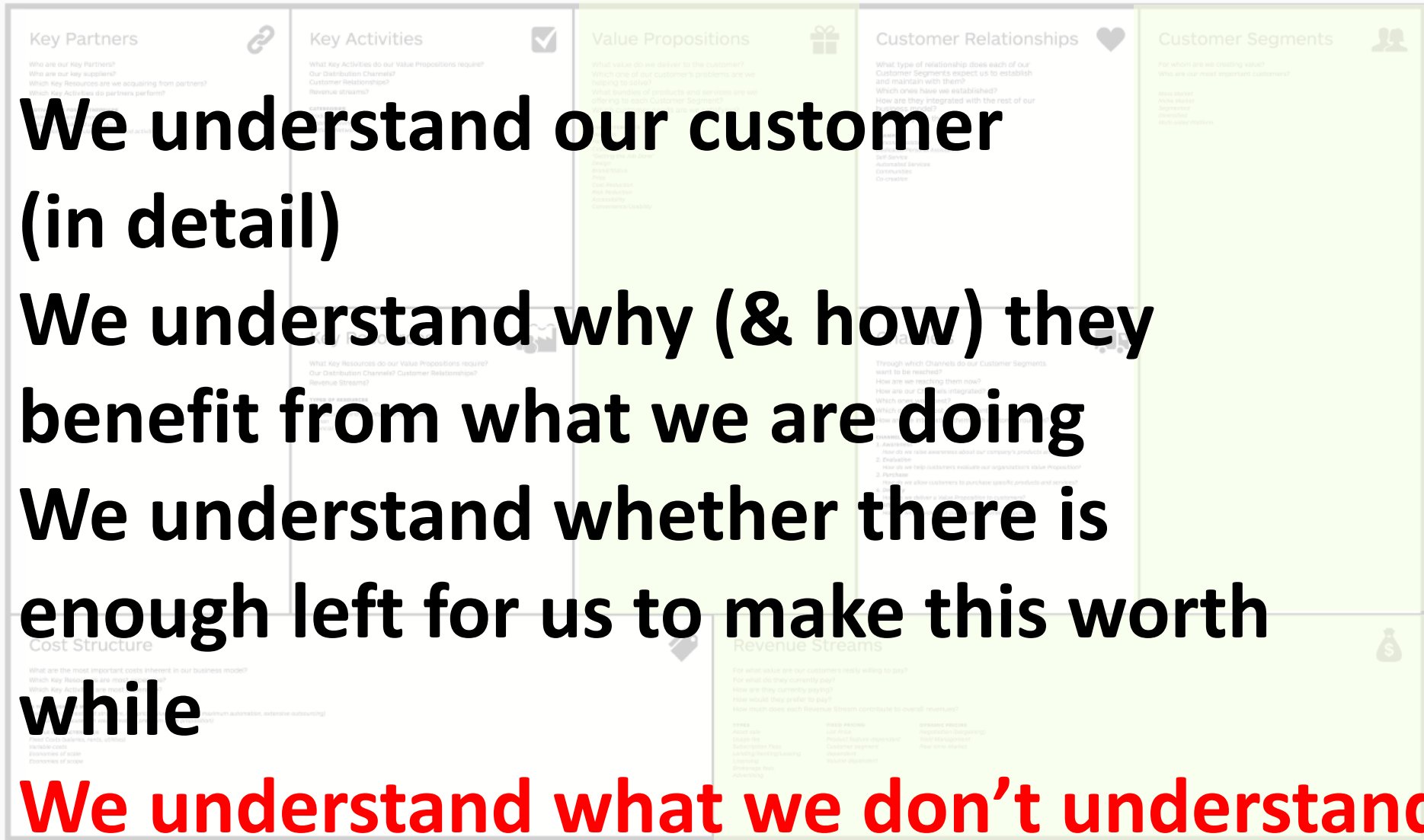
1. Customer value divided by the “goodness factor”.
2. Verify that you CAN extract your revenue.
3. **DO NOT** get hung up on the details!

## Dynamic Pricing

Negotiation (bargaining)  
Yield Management  
Real time market

# What do we know, just from this?

1. We understand our customer (in detail)
2. We understand why (& how) they benefit from what we are doing
3. We understand whether there is enough left for us to make this worth while
4. We understand what we don't understand!









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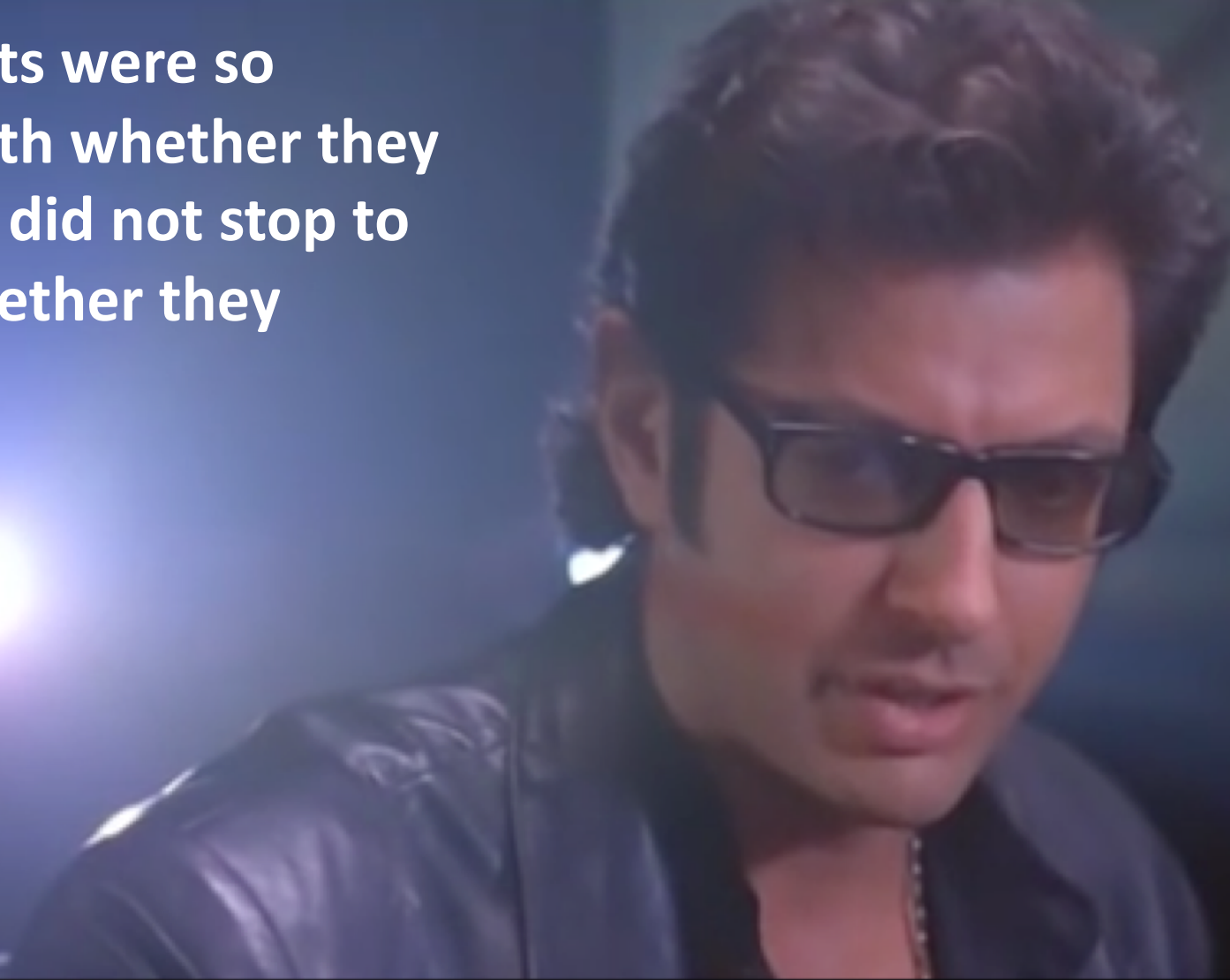
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**“...your scientists were so  
preoccupied with whether they  
could that they did not stop to  
think about whether they  
should...”**

**Jeffrey Goldblum  
Jurassic Park**



# Cost Structure

## Channels

What are the most important Key Resources?  
Which Key Resources do we need?  
Which Key Activities do we need?

Is your business model **Cost Driven**?  
• **Cost Driven?**  
*Leanest cost structure*

• **Value Driven?**  
*Focused on value*

**Sample Characteristics:**  
*Fixed costs (salaries, rent, etc.)*  
*Variable costs (materials, etc.)*  
*Economies of Scale*  
*Economies of Scope*

Through which channels do we want to be reached?  
How are we reaching our customers?  
How are our channels integrated with the rest of our business model?  
Which ones work best?  
Which ones are most costly?  
How are we integrating them?

### Channel phases:

- Awareness**

*How do we raise awareness?*

- Evaluation**

*How do we help customers evaluate our Value Proposition?*

- Purchase**

*How do we allow customers to purchase specific products and services?*

- Delivery**

*How do we deliver a Value Proposition to customers?*

- After sales**

*How do we provide post purchase customer support?*

# Customer Relationships

What type of relationship does each of our Customer Segments expect us to establish and maintain with them?  
Which ones have we established?  
How are they integrated with the rest of our business model?  
How costly are they?

### Examples:

- Personal assistance
- Dedicated personal assistance
- Self Service
- Automated services
- Communities
- Co-Creation

## Activities

What activities do we need to perform to create our Value Proposition?

Which Key Activities do we need to perform to create our Value Proposition?

What activities do we need to perform to create our Value Proposition?

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### Resources:

Intellectual (Brand, patents, copyrights, data)  
Human  
Financial

Can I make  
a profit?

*Revenue per customer: \$10*

*Direct cost (cost to deliver value): \$3*

*Direct Margin: \$7*

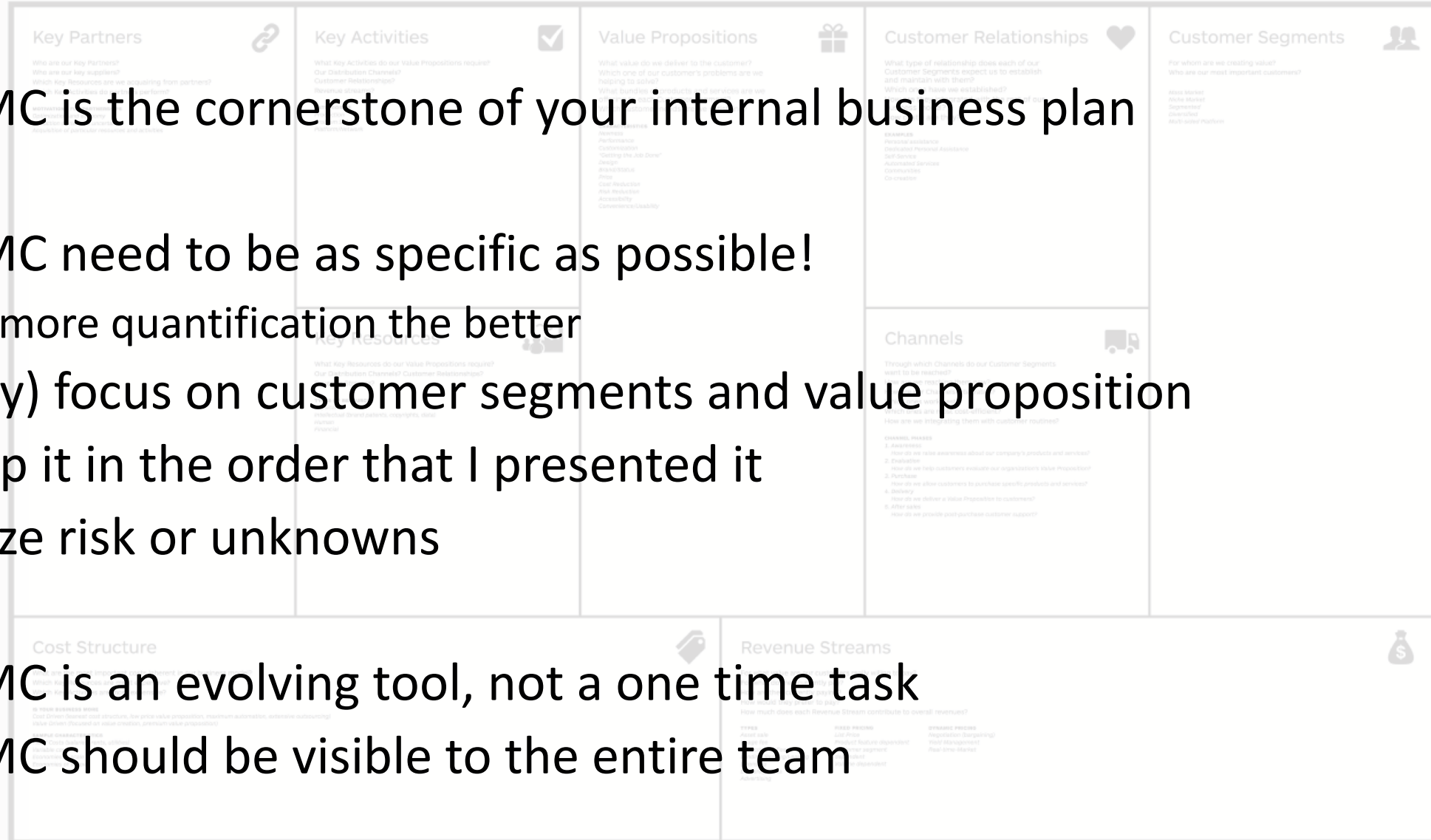
*\$7 x 10,000,000 customers =  
\$70 M*

*Fixed cost  
Overhead*

Can I justify  
the  
investment  
and can this  
be a self  
supporting  
concern?

# How do you use the Business Model Canvas

- The BMC is the cornerstone of your internal business plan
- The BMC need to be as specific as possible!
  - The more quantification the better
- (Initially) focus on customer segments and value proposition
- Develop it in the order that I presented it
- Prioritize risk or unknowns
- The BMC is an evolving tool, not a one time task
- The BMC should be visible to the entire team







# Wanna try?

